

Message Text

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PAGE 01 STATE 187676

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DRAFTED BY TREAS:JWALLER

APPROVED BY EB/OT/STA:JCRAWFORD

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FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA PRIORITY

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E.O. 11652: GDS

TAGS: ETRD, BR

SUBJECT: COUNTERVAILING DUTIES: BRAZILIAN SHOES

REF: BRASILIA 6389

1. DECISION WILL BE MADE IN SUBJECT INVESTIGATION SHORTLY, PROBABLY WITHIN THE NEXT WEEK. TREASURY OFFICIALS HAVE DISCUSSED CASE INFORMALLY WITH ATTORNEY FOR BRAZILIAN SHOE EXPORTERS AND EXPLORED POSSIBLE APPROACHES OF APPLYING A COUNTERVAILING DUTY RATE. A FINAL DECISION HAS NOT REPEAT NOT BEEN MADE REGARDING THE METHOD TO BE EMPLOYED.

2. TREASURY HAS NOT AS YET CONFIRMED TO ANYONE THAT

AVERAGE BOUNTY OR GRANT FOR 12 FIRMS SHOULD PROPERLY BE 5.25 PERCENT, OR ANY OTHER SPECIFIC FIGURE. FURTHERMORE, TREASURY HAS NO PRECONCEIVED NOTION OF WHAT COUNTERVAILING DUTY WOULD BE "TOO LOW" OR TOO HIGH. SOLE PURPOSE OF EXERCISE IS TO ARRIVE AT COUNTERVAILING DUTY WHICH CARRIES OUT STATUTORY MANDATE OF OFFSETTING BOUNTY OR GRANT BEING BESTOWED.

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PAGE 02 STATE 187676

3. TREASURY UNDERSTANDS PINTO ARGUMENT, THAT THE NATURE

OF THE BRAZILIAN EXPORT ASSIST SCHEME IS SUCH THAT IT PROVIDES A HIGHER BOUNTY OR GRANT TO FIRMS EXPORTING A SMALLER PORTION OF THE TOTAL SALES. THEREFORE, TO THE EXTENT THAT ONE COUNTERVAILING DUTY RATE WOULD NOT SUFFICIENTLY APPROXIMATE THE BROAD RANGE OF BENEFITS BEING RECEIVED THERE IS A POSSIBILITY THAT MORE THAN ONE RATE MAY BE NECESSARY.

4. EMBASSY WILL BE NOTIFIED OF FINAL TREASURY DECISION FOR TRANSMITTAL TO BRAZILIAN GOVERNMENT AS FAR IN ADVANCE OF PUBLICATION AS IS PRACTICABLE.

5. TREASURY WILL MAKE EVERY EFFORT TO COORDINATE PUBLICATION OF BRAZILIAN CASE WITH ACTIONS ON OTHER PENDING COUNTERVAILING DUTY INVESTIGATIONS. KISSINGER

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